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SOUTHEAST ASIA

3. Vietnamese premier eager to crush Binh Xuyen rebels:

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Premier Diem told General Ely on 30 March that the Binh Xuyen organization, having rebelled against the government, must be either disarmed, wiped out, or driven out of Saigon. Ely is unsympathetic, however, [redacted] and has assumed a position of neutrality between the government and the rebels.

Having won control of the municipal police force from the Binh Xuyen, Diem's next move will probably be to dismiss the Binh Xuyen chief of the national police force. [redacted] fighting might break out again over this issue, unless the French assist Diem to regain control of the national police by nonforcible means.

Comment: Vietnamese army forces demonstrated good morale in the recent fighting and are probably eager to finish the job against the somewhat demoralized Binh Xuyen. Diem is apparently in a fighting mood and, following the resignation--at least temporary--of certain moderates from his cabinet, will be less restrained by his colleagues than in the past.

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SOUTH ASIA

25X1A 4. Comment on Nehru's foreign policy speech:

The tone of Prime Minister Nehru's strongly anti-Western speech in the Indian parliament on 31 March probably results from Nehru's frustration

over his failure to achieve concrete results in informal discussions with the West and with the Sino-Soviet bloc on Formosa, as well as his irritation over Western efforts to promote anti-Communist defense arrangements in Asia. It may also reflect the current ascendancy of left-wing advisers.

Nehru in addition used the speech to elaborate on the old theme of Asia for Asians. He predicted that the Afro-Asian conference would be something unique where Asians would be able to decide things for themselves.

Nehru, to continue his influence in the international field, must maintain his professed position of neutrality. He therefore cannot afford to continue this strongly anti-Western stand. In the past, his violent utterances have often been followed by a moderate line.

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NEAR EAST - AFRICA

5. Army attaché sees likelihood of major incident between Arab and Israeli forces:

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A "heavy" engagement between Arab and Israeli military forces as a result of heightened border tension is considered likely by the American army attaché in Tel Aviv.

American embassy officials suggest that the series of incidents on Israeli's three borders during the past week indicate that Jordan, Syria and Egypt may now be taking a tougher attitude toward Israel and may be co-ordinating their border activities.

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The embassy feels that the continued emphasis on these incidents in the Israeli press has probably aroused public support for any counteraction the Israeli defense forces may take.

Comment: Despite the recent UN condemnation of Israel for its attack on an Egyptian military post in the Gaza strip, Tel Aviv would probably condone strong military action against any of the Arab states in line with its argument that these states understand only military force. Full-scale hostilities are nevertheless unlikely at this time.

WESTERN EUROPE

6. Comment on effect on West Berlin of East German trucking toll increase:

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The East German increase in road tolls on non-East German traffic effective 1 April could severely damage the West Berlin economy. American officials in Berlin state that the East German move presumably will not affect Allied traffic, which has been exempt from tolls. The West Berlin government has appropriated funds to subsidize payment of the tolls for two weeks, but is unlikely to continue these subsidies for a longer period.

About 40 percent of West Berlin's supplies from the West are brought in by truck, but there are sufficient stockpiles of basic raw materials in West Berlin to enable factories to continue operations for from six months to a year, even in case of a complete blockade.

A large proportion of West Berlin's shipments of finished goods to West Germany has been by truck, and only part of this traffic could be diverted to the railroads. If deliveries to the Federal Republic are seriously curtailed, the West Berlin economy will be considerably damaged.

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A similar toll increase was imposed by the Communists in September 1951, but was dropped after three weeks as a result of pressure from the West. East German traffic through West Berlin was halted and Bonn threatened to stop interzonal trade deliveries. In the present instance, the Federal Republic has reportedly already broken off interzonal trade negotiations and has stated it intends to do everything possible to keep West Berlin supplied.

LATIN AMERICA

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7. Political crisis seen in Bolivia:

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A serious split in the governing Nationalist Revolutionary Movement (MNR) in Bolivia is evident and the government may "disintegrate" within a matter of

weeks. The basic struggle is between the leftist wing and the more moderate nonlabor elements.

Widespread dissatisfaction with the government's wage-price decree of 24 March and growing labor unrest are threatening the MNR with the loss of popular support for the first time since it came to power in April 1952. Rumors are that President Paz will resign. The Communists are said to be exploiting the situation to the fullest.

Comment: This is the first report of a split in the Bolivian government. Thus far the unifying influence of President Paz and the feeling of each wing of the MNR that it needed the other have caused the two factions to accept compromise solutions on most issues.

On 24 March the government decreed wage hikes of from 40 to 75 percent. Organized labor had asked for an increase of 100 percent.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington
up to 1100 hours 31 March 1955.

1. Chinese Nationalist air units continued attacks, which began on 29 March, against Chinese Communist shipping in rivers west of the Matsus. The Nationalists claim three gunboats damaged in one attack, and two wooden boats sunk and four damaged in a second attack.

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